Homeownership
Alliance

Affordable Homeownership Policy Agenda for a new Administration

It's time for a renewed effort to boost the US homeownership rates among people who have been shut out from our primary path to build assets. There is no investment alternative that is as beneficial as homeownership for wealth building for middle class Americans. Unfortunately, the benefits of homeownership are not evenly distributed throughout our society. America's growing racial wealth gap and homeownership gap are well documented. According to Federal Reserve's Survey of Consumer Finances (Sept. 2020) the median wealth of white households is $188,200 compared to only $24,100 for Black households and $36,200 for Hispanic households. And according to the Urban Institute, while 72.1% of white households own their own home, only 42% of Black households and 48.1% of Hispanic households are homeowners.

The Homeownership Alliance supports the creation of new resources to support affordable homeownership as well as incremental reforms in existing programs that support affordable homeownership. The Homeownership Alliance's members comprise some of the leading nonprofit, mission-focused homeownership practitioners from across the country. These organizations prepare families to become successful homeowners and finance, renovate, and develop affordable homes that are assets for communities and the families that live in them.

The Homeownership Alliance supports these proposals which require legislation or Administration leadership.

1. The Neighborhood Homes Investment Act

The Neighborhood Homes Investment Act (NHIA) is legislation that addresses the problem that in many communities throughout the country – in both urban and rural areas – the absence of quality homes undermines both neighborhood stability and the opportunity for families to build wealth through homeownership. Too often the major impediment to building new homes or rehabilitating abandoned or deteriorated ones in these communities is that the cost exceeds the homes' market value upon completion.

The Neighborhood Homes Investment Act (NHIA) deals with this challenge by providing a tax credit to cover a portion of the construction and rehabilitation costs of homes for owner-occupancy. The new tax credit would be administered by state agencies through annual competitive application rounds. Project sponsors raise capital from investors to finance home building and rehabilitation. Tax credits cover the gap between development costs and sales prices, up to 35% of eligible costs. Investors claim the tax credits only after construction, inspection, and owner-occupancy. The program can be used for new infill housing and substantial rehabilitation for new owner occupants, or for substantial rehab for an existing homeowner.

Eligible homes will be located in Census tracts with poverty rates 130% of the metro area poverty rate; family incomes below 80% of area median income; and home values below area median. There are additional Census tracts eligible in high poverty cities.

Approximately 24% of metro census tracts nationwide, and 25% of non-metro census tracts qualify for NHIA investments. States may also use up to 20% of their allocation to serve additional rural census tracts and/or existing homeowners in gentrifying census tracts. Maps of eligible NHIA communities in each state may be found here.

NHIA has attracted bipartisan support in both the House and the Senate in the 116th Congress, and it passed the House last summer as part of H.R. 2. It has been reintroduced in the Senate as S.98 in this Congress, again with bipartisan cosponsors. It has also been endorsed by President Biden as part of the "Build Back Better" agenda.

2. ***The Restoring Communities Left Behind Act***

It is time to create a new of source of funding for renovating single family homes in distressed communities. There is no other funding source to do this work at the scale necessary to help neighborhoods that once were redlined and still are grappling with economic and social distress. Representative Marcy Kaptur has introduced H.R. 816, the "Restoring Communities Left Behind Act" which creates a large competitive grant program at HUD that supports the development of affordable homeownership by community partnerships that work in neighborhoods characterized by high poverty, low incomes, unemployment, and vacancy. In the legislation, HUD would use Census data and other sources to identify eligible neighborhoods.

The eligible grantees include nonprofits, local governments, land banks, and community land trusts with preferences for broader community partnerships. The selection criteria include the track record and capacity of the partnership to carry out the work, neighborhood engagement and participation, and the breadth of the local partnership submitting the application. The bill funds acquisition and rehabilitation of one to four unit dwellings and new construction on vacant lots with an emphasis on homeownership. There can be some demolition done with the funding but it is limited to 10%.

3. A priority for homeownership across CDFI Fund programs.

The CDFI Fund Director has broad latitude to create preferences for activities that are consistent with the statutory purposes of the CDFI Fund's programs, such as Financial Assistance to CDFIs, New Markets Tax Credits, the Capital Magnet Fund, and the CDFI Bond Guarantee program. Homeownership is an allowable use for all of these programs, which are awarded through competitions.

The competitive nature of the CDFI Fund programs gives the Director of the CDFI Fund more power than an administrator of block grant programs. The CDFI Fund sets the parameters for the competitions by deciding how to award points, what information to require, what outcomes to prioritize, and what data to collect. Thus a preference for homeownership across the CDFI Fund programs would be powerful. For example, it would helpful to have a preference in the Financial Assistance competition for CDFIs for lenders that specialize in mortgage lending for homeownership. This "Homeownership Financing Initiative" would be very helpful in markets where few banks make low balance mortgage loans. The CDFI Fund Director has this authority, consistent with the statutes governing the programs.

CDFI resources could be a very powerful tool to spur affordable homeownership because both mission-driven lenders and developers can access them. In many localities the supply of affordable homes needs to be increased so housing development is a priority. In other markets, lenders like those in the Homeownership Alliance can work with families to access sustainable mortgages on existing homes. CDFI programs used by members of the Homeownership Alliance could be a powerful tool to narrow our nation's homeownership gap.